GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1925
ANSWERED ON:24.08.2007
GOVERNMENT EQUITY IN PUBLIC SECTOR BANKS
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Will the Minister of FINANCE be pleased to state:

(a) the proportion of equity held by the Union in the various Public Sector Banks as on April 1, 2004, 2005, 2006 and 2007;

(b) whether there are plans to reduce Government holdings in different banks; and

(c) if so, the details thereof and reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c) : The details of percentage of equity held by the Central Government in various public sector banks (PSBs) as on 31st March, 2004, 2005, 2006 and 2007 are at Annex, Section 3(2B) (c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/80 provides that the Central Government shall, at all times, hold not less than 51% of the paid up capital consisting of equity shares of the nationalized banks. Similarly, Section 5 (2) of the State Bank of India Act, 1955 provides that the Central Government shall, at all times, hold not less than 55%, of the issued capital of the State Bank. Government does not hold any share of the Associate banks of SBI. There is no proposal under consideration of the Government to sell its shares held in PSBs. However, to meet their regulatory capital requirement commensurate with increase in their asset and investment portfolios, PSBs raise equity capital, as and when required and subject to the statutory provisions, by issue of additional shares through public offerings. Though there is no reduction in amount of Government equity, raising additional equity capital by way of Initial Public Offer/ Follow-on Public Offer dilutes the percentage of Government shareholding in these banks.